

PULP & PAPER

April 1991

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This issue's focus on papermaking discusses various methods North American pulp and paper mills are implementing to improve quality and production of paper and paperboard. (Photo courtesy of Weyerhaeuser Paper Co.)

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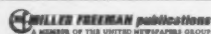
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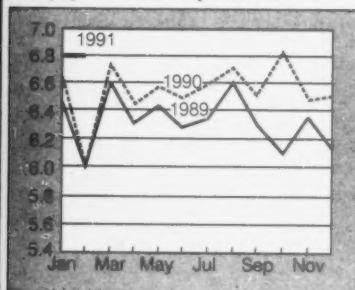
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MONTH IN STATISTICS

U.S. paper and board production



U.S. production of paper and paperboard totaled 6.8 million tons in January, up 1.7% from the same month last year, according to the American Paper Institute. Production of paperboard was up 4.5% compared with January 1990, but paper output dropped 0.9% as a result of the recession. Inventory building at containerboard mills and box plants accounted for much of the gain in paperboard production, API reported. Without the buildup at box plants, production would have fallen 8% below the January 1990 level.

Among major grades, printing and writing paper shipments were off 3.2% as the recession cut into magazine and other print advertising, stationery sales, and new business formation. Newsprint output remained strong, reaching a new high of 580,000 tons in January, and API reported strong demand in the southern and western U.S., where new paper machines came online last year. Containerboard production was up 6.0%, while boxboard posted a 1.1% gain.

Canadian newsprint shipments totaled 765,000 metric tons in January, an increase of 7.0% over a year earlier. Woodpulp shipments were up 12.7%, to 691,000 tons. Operating rates stood at 96% for newsprint mills and 88% for woodpulp.

	Latest month (000 short tons)	% change from year ago	Annualized year-to-date (000 short tons)	% change from year ago
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PAPER & PAPERBOARD PRODUCTION¹

Newsprint	Jan.	580	4.9	6,954	-4.7
Uncoated groundwood (s)	Jan.	144	-8.3	1,724	-7.7
Coated paper (s)	Jan.	629	-2.2	7,551	-3.0
Uncoated free-sheet (s)	Jan.	981	-1.5	11,767	-1.9
Other printing/writing	Jan.	130	-4.4	1,557	-1.0
Total packaging and other paper (s)	Jan.	394	-5.7	4,729	-1.4
Tissue	Jan.	485	2.3	5,825	2.5
Total paper	Jan.	3,342	-1.0	40,107	-0.9
Unbleached kraft paperboard	Jan.	1,823	8.1	21,869	8.0
Semichemical medium	Jan.	497	1.4	5,959	1.5
Bleached paperboard	Jan.	393	2.3	4,710	2.3
Recycled paperboard	Jan.	750	-0.3	8,995	-0.4
Total paperboard	Jan.	3,462	4.5	41,544	4.5

Total U.S. paper and paperboard output	Jan.	6,804	1.7	81,651	1.8
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PULP, WASTEPAPER & FIBER²

Total U.S. woodpulp production	Dec.	5,428	8.8	63,275	2.1
Market pulp production	Dec.	735	13.4	8,823	1.8
Wastepaper consumption at paper/board mills	Dec.	1,726	8.1	21,039	7.9
Pulpwood consumption (cords)	Dec.	8,012	1.0	99,109	0.7

CONVERTED PRODUCTS STATISTICS³

Corrugated box shipments (billion ft ³)	Jan.	27.227	-1.4	27.227*	-1.4
Containerboard inventories at U.S. box plants and mills	Jan. 1	2,765	6.8		

INTERNATIONAL TRADE⁴

U.S. paper imports (including products)	Dec.	988	-1.8	13,006	0.7
Imports of Canadian newsprint	Dec.	613	-8.4	8,118*	-2.6
U.S. paper exports (including products)	Dec.	523	2.3	6,787	8.4
Exports of unbleached kraft linerboard	Dec.	201	2.0	2,589	16.8
Exports of woodpulp	Dec.	477	-18.5	5,905	-5.2
Norscan pulp inventories ⁵	Jan. 31	1,512	6.3		
Norscan pulp operating rates ⁶	Jan.	89%	82%	82%	87%

CANADIAN STATISTICS⁵ (reported in metric tons)

Total newsprint shipments	Jan.	765	7.0	765*	7.0
Operating rates	Jan.	96%	98%	96%	98%
Inventories held by U.S. consumers	Jan. 31	n.a.	—		
Other paper/board shipments	Jan.	603	-1.8	603	-1.8
Woodpulp shipments (export only)	Jan.	691	12.7	691	12.7
Operating rates	Jan.	88%	95%	88%	95%

1. American Paper Institute. 2. API, Bureau of Census, American Pulpwood Assn. 3. Fibre Box Assn., Paperboard Packaging Council. 4. North American/Scandinavian paper-grade market pulp. 5. Canadian Pulp & Paper Assn. 6. Not annualized. (s) = Shipments.

Uncoated free-sheet: Market shudders as new capacity drives prices down

Grade structure: Uncoated papers are made mostly from chemical pulps (sulfate, sulfite, soda, cotton linters, or vegetable fiber). Few uncoated free-sheet mills add any mechanical pulp to the fiber mix (to be called free-sheet it must contain less than 10% mechanical), but mills are introducing furnishes, such as bleached chemi-thermomechanical pulps (BCTMP) and recycled fibers, which can be combined with kraft pulp to reduce the cost of manufacture while providing a better grade of paper than stone groundwood or other mechanical pulps. A number of mills have converted some or all of their machines to alkaline-based paper, and many new installations are based on the alkaline process.

Four subgroupings are based on end use: publishing, commercial printing, office/business, and writing. A smaller subgrouping includes products such as cigarette papers and carbonizing tissue.

Offset and copy papers each represent about one-quarter of uncoated free-sheet production in the U.S., with offset dropping slightly as reprographic paper is used more and more in such applications as computer page (laser) printers, copiers, and other office technologies. Forms bond represented almost 20% of 1989 production, while envelope was just under 11%, tablet dropped from about 4% to just over 3%, and text and cover grades were about 3.7%. The balance was composed of miscellaneous printing/writing paper.

Production/capacity: U.S. production of uncoated free-sheet is concentrated primarily in the Northeast and upper Midwest, although capacity in the South has grown strongly during the past 20 years. Capacity has also increased in Canada, where four new uncoated free-sheet machines have come online since 1987.

American Paper Institute estimates indicate U.S. uncoated free-sheet paper capacity (including cotton and thin) is expected to grow 10.3% to almost 13.4 million tons for the 1990-93 period. Canadian capacity will advance

5% in 1991 from 1990 after a 16.6% growth from 1989 to 1990, according to the Canadian Pulp & Paper Assn.

New capacity onstream by the end of 1991 will include Boise Cascade Corp.'s 300,000-tpy machine at International Falls, Minn. (December 1990); Willamette Industries Inc.'s 255,000-tpy machine at Bennettsville, S.C. (September 1990); Georgia-Pacific Corp.'s 325,000-tpy machine at Ashdown, Ark. (May 1991); and Union Camp Corp.'s 240,000-tpy machine at Eastover, S.C. (May 1991). Federal Paper Board is considering its first uncoated free-sheet printing/writing paper machine for Augusta, Ga., rather than a previously planned bleached paperboard machine. The two grades are similar, and Federal already makes bristol paper sold in the printing/writing markets.

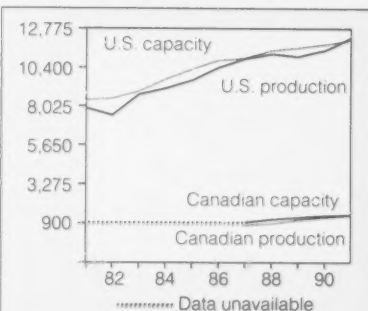
Outlook: Operating rates remain fairly strong despite some slackening in 1989. But, by mid-1990, rebuilding of inventories and generally strong demand was boosting shipments above year-earlier levels. The recession that began in 1990 and continues into 1991, along with the addition of almost 1 million tons of capacity in 1990-91, is dampening pricing, but operating rates are staying above 90%.

Pricing: The deep discounts of 1989 and early 1990, as high as \$60 to over \$100/ton, are repeating themselves in 1991, especially on cut-size copy paper, offset grades, forms bond, and some other grades.

Price trends for two important grades are (year-end, \$/short ton, list): book paper, No. 3 offset, 45-lb sheets: 1986, \$850; 1987, \$850; 1988, \$1,020; 1989, \$940; 1990, \$1,020. Bond, No. 4, reprographic, 20-lb, 83-bright: 1986, \$820; 1987, \$820; 1988, \$960; 1989, \$920; 1990, \$960.

Markets: Subgrade market shares in 1990 (approximate): bond and reprographic 27%; mimeo and duplicating 0.3%; forms 18%; offset printing 24%; envelope 11%; tablet 4%; carbonless 7%; other 8.7%.

SUPPLY/DEMAND (000 tons)



FORECAST (000 tons)

U.S.	1989	1990	1991e
Production ¹	11,081	11,510	11,844
Capacity	12,092	12,145	12,717
Utilization rate	91.6%	94.8%	93.1%
Imports	583	743	754
Exports ²	122	233	252
Apparent U.S. consumption	11,542	12,020	12,346
lb/capita ³	93.33	96.17	97.79
GNP ratio	2.78	2.90	2.88
Canada			
Production ⁴	1,155	1,359	1,387
Capacity ⁴	1,451	1,692	1,777
Utilization rates	79.6%	80.3%	78.1%
Exports ^{4,5}	465	662	682
Consumption ⁴	690	697	705

1. API. 2. Not directly comparable with 1989. 3. Revised. 4. CPPA. 5. More than 90% is shipped to U.S. e=Estimate. Source: Pulp & Paper.

TOP NORTH AMERICAN PRODUCERS

	Annual capacity (000 tons)	Market share (%)
1. International Paper	2,100	14.6
2. Georgia-Pacific/GNN ¹	2,100	14.5
3. Champion International ²	1,226	8.5
4. Boise Cascade	1,205	8.3
5. Union Camp ³	900	6.2
6. Weyerhaeuser ⁴	765	5.3
7. James River	730	5.0
8. Domtar	650	4.5
9. Mead ⁵	520	3.6
10. Willamette	479	3.3

Market share of top five companies:

52.3%

Market share of top ten companies:

77.0%

Total North American capacity (1991)⁶:
14,494 million short tons

1. New 320,000-tpy machine at Ashdown, Ark., starts up mid-1991. 2. Year-end 1990 capacity. 3. New 250,000-tpy machine starts up mid-1991. 4. Includes Prince Albert, Sask. 5. Includes carbonless basestock. 6. Includes all other companies.

FINANCE

U.S. paper industry profits plunge

The cyclical downturn in the U.S. paper industry appeared to pick up momentum in fourth-quarter 1990 as earnings plunged 50% from a year ago. This resulted in a 32% decline in industry earnings to \$4.3 billion for all of 1990 even though total revenues increased 5.5%, according to a *Pulp & Paper Week* survey of results from 30 U.S. companies. Profits in the fourth quarter were hurt by weaker markets for some pulp, paper, and packaging grades, but the decline was exacerbated by year-end writeoffs, operational problems, higher interest costs, and depressed wood products markets. A number of major forest products companies suffered declines of 70% to 80% or more as some "wrote off everything but the kitchen sink," according to one analyst.

Industry totals do not include income results from Fort Howard Corp., which included nonrecurring items related to its 1988 leveraged buyout. Most paper company chief executives said they expected to see the weakness continue at least through first-quarter 1991 due to the softening economy, uncertainty caused by the Persian Gulf conflict, and further erosion in markets for most grades. "The year ahead will be difficult as we contend with increased industry capacity as well as an economic downturn," noted Union Camp Corp. chairman and CEO Gene Cartledge. Nevertheless, some industry executives expect paper and wood products markets to begin picking up by the second half due to such factors as declining interest rates, lower oil prices, and the weak U.S. dollar.

Sales results for International Paper Co. again topped U.S. companies, rising 14% to \$13 billion in fiscal 1990. CEO John A. Georges said that fourth-quarter and full-year earnings were in line with analysts' expectations and were "reasonably good, given the nation's poor economic climate." IP cited a continued strong performance from its European paper businesses and solid business from the printing/writing paper and specialty products groups. Export sales of linerboard and bleached board also bolstered operations, IP said, but the sagging economy seriously impacted

the paperboard and packaging group.

While paper unit results for large integrated manufacturers held their ground, weak housing starts and declining consumer demand devastated wood products operations across the board. Georgia-Pacific Corp. reported a 45% decline in profits on sales of \$12.7 billion in 1990 (including the acquisition of Great Northern Ne-

koosa in March of last year). Pulp and paper segment operating profits rose 6.7% to \$979 million, but the building products business declined 20.6% to \$423 million from the previous year.

Weyerhaeuser Co. said operating results for its forest products operations were down 22% and pulp and paper products were down 29%. Annual income dropped 35% to \$394

U.S. paper/products results.

Companies	Fourth-quarter 1990			
	Sales 1990	% change 1990/89	Earnings 1990	% change 1990/89
Badger Paper Co. Inc.	\$18,007	6.2	\$2,771	79.4%
Boise Cascade Corp.	1,015,170	-4.8	4,810	-90.6
Bowater Inc.	353,250	-3.9	18,286	-43.2
Champion International Corp.	1,251,814	-1.2	26,918	-73.9
Chesapeake Corp.	198,833	-3.5	1,786	-82.7
Consolidated Papers Inc.	234,379	-3.5	30,237	-31.9
Federal Paper Board Co. Inc.	437,453	3.8	22,895	-60.5
Fort Howard Corp. ¹	292,285	8.5	(29,756)	—
Gaylord Container Corp. (1st Q)	173,000	-5.5	(9,900)	NM
Georgia-Pacific Corp. ¹	3,057,000	25.4	62,000	-60.5
P.H. Glatfelter Co.	158,438	10.8	25,940	19.8
International Paper Co. ¹	3,300,000	13.8	160,000	-18.8
James River Corp. ¹	773,837	10.0	35,877	5.1
Kimberly-Clark Corp.	1,646,200	12.5	111,200	0.5
Longview Fibre Co. (10/31)	182,651	0.7	14,489	6.5
Louisiana-Pacific Corp.	366,100	-27.7	(3,900)	NM
Mead Corp. ¹	1,135,100	5.3	(92,900)	NM
Mosinee Paper Corp.	49,613	-15.2	2,572	-130.1
Pentair Inc.	293,938	3.2	10,856	19.2
Pope & Talbot Inc.	128,719	-12.0	(3,311)	NM
Pottlatch Corp.	290,691	-7.9	4,556	-88.6
Scott Paper Co. ¹	1,431,000	10.6	49,500	-30.9
Sonoco Products Co.	429,336	6.1	26,883	9.0
Stone Container Corp.	1,443,800	-0.4	9,400	-85.5
Temple-Inland Inc.	618,000	26.4	48,100	8.3
Union Camp Corp.	715,383	5.8	52,166	-16.1
Wausau Paper Mills Co. (11/30)	89,310	3.6	6,034	264.2
Westvaco Corp. (10/31)	655,343	7.7	48,312	-20.5
Weyerhaeuser Co. ¹	2,085,886	-18.7	58,818	-58.5
Willamette Industries Inc.	459,696	-3.4	12,247	-76.1
Total	\$23,284,732	4.4%	\$738,642	-50.7%

Net income after taxes, from continuing operations. () = losses. NM = not meaningful.

1. **Fort Howard Corp.** Because of complex nonrecurring items and special writedowns, 1990 income losses were not included for the U.S. industry total. **Georgia Pacific Corp.** 1990 results reflect the acquisition of **Great Northern Nekoosa Corp.** beginning Mar., 1990. Figures for 1989 were not adjusted to show consolidated operating results. **International Paper Co.** Net income figures exclude a net charge of \$137 million after-tax, related to disposition of certain assets. **James River Corp.** The company computed its earnings on a pro forma basis for its transitional fiscal year, making its fourth quarter nine weeks long. **Mead Corp.** Results for 1990 include a charge of \$107.2 million related to writedowns. **Scott Paper Co.** 1990 earnings exclude an after-tax charge of \$100 million related to restructuring and the selling of nonstrategic businesses. **Weyerhaeuser Co.** 1989 income excludes restructuring charges of \$270 million after tax.

million. Weyco said demand for pulp and paper products held up but markets were weakened by overcapacity. "I look for further decline in earnings in 1991," president and co-CEO John W. Creighton said recently. "I'm matching up my view of the economy with my view of earnings this year, and that's very bleak. I think economists who have characterized this recession as short and shallow are incorrect." He added that interest rates are already relatively low, and lowering them further will not have as great an expansionary impact as in the past.

James River Corp.'s results include its planned restructuring, the sale of its nonwovens division in April 1990, and the shutdown of a specialty paper mill the same month. JR realigned its fiscal year, and pro forma results are presented as if each of these transactions had been complete before the first day of each period presented, the company said. The company singled out the performance of its Food & Consumer Packaging Business, which was heartened by McDonald's decision to use its Quilt-Rap products to replace foam clam-shell containers.

Large profit drops. Several major paper/forest products companies saw their profits practically evaporate in the fourth quarter. Champion International Corp. reported a 74% drop in earnings for the quarter, which resulted in a 48% decline for the year. The company blamed the falloff on severely depressed conditions in the wood products industry, weakening world pulp markets, lower prices for several of its paper grades, startup difficulties in connection with several major rebuilds, and a significantly higher tax rate, mainly due to the company's Brazilian operations.

Fourth-quarter earnings for Boise Cascade Corp. plunged 91%, which resulted in a 72% decline in net income for the year. Operating income from paper declined substantially, reflecting lower prices for many grades and continued operating difficulties at the Rumford, Maine, mill, Boise said. The company capitalized \$14.5 million of preoperating costs associated with the successful startup of its new paper machine in International Falls, Minn., in the fourth quarter. Office products income was also down, and building products income practically disappeared in the fourth quarter. Mead Corp. was battered by various writedowns and weak markets

for pulp and wood products. Writedowns and nonrecurring charges totaled \$107.2 million in the fourth quarter, resulting in a loss of \$92.9 million for the period. Net earnings for the year totaled \$38.5 million, down from \$215.8 million a year earlier. Writedowns were mainly related to assets of Mead Imaging and Ampad.

Containerboard profits decline. A relatively modest drop in profits for the fourth quarter and a 23% decline for the year was reported by Union Camp. Chairman and CEO Cartledge said that during the fourth quarter, the "demand for paper and packaging products remained healthy in spite of the weakening overall economy. Pricing for uncoated business papers continued to improve to levels slightly above those of the fourth quarter of 1989. However, prices for liner and corrugated containers, while stable with third-quarter levels, were well below those of a year ago."

Stone Container Corp. announced an 85% decline in profits in fourth-quarter 1990, compared with a year earlier. This resulted in a 67% decline in earnings for the year on an 8% increase in sales. The company said it was impacted by higher interest expense and higher effective tax rates in the fourth quarter. Tax rates increased to 73.4% for the fourth quarter, compared with 43.4% for fourth-quarter 1989.

Following a \$9.9 million loss in the first quarter of fiscal 1991 that ended Dec. 31, and after losing \$5.8 million in the previous quarter, Gaylord Container Corp. announced that it plans to "temporarily idle" production on two containerboard machines at its Antioch, Calif., mill, affecting about 300 employees. The combined Antioch mill is the largest containerboard facility in California, with total capacity of about 1,800 tpd. Interest charges on the company's outstanding debt climbed to \$25.8 million in the first quarter from \$15.2 million a year ago, the company said.

Tissue stays tight. Again among the strongest performers were tissue companies and also some smaller specialty paper mills that are benefiting from the lower purchased pulp and wastepaper costs. For the seventh year in a row, Kimberly-Clark Corp. reported record yearly and fourth-quarter results. Excluding charges related to the divestiture of its stake in Spruce Falls Power & Paper Co., K-C's net income was up 12.3% on

the strength of European sales, lower pulp prices, and positive results from increased advertising.

However, Scott Paper Co. noted that its earnings failed to reach a new record for the first time since 1983. The company said U.S. and world tissue operations showed improved earnings in 1990, but income from the S.D. Warren printing/writing paper division was down about 30%. The decline reflected operational problems at the Muskegon, Mich., and Skowhegan, Maine mills, where major capital expansion projects were under way.

Fort Howard Corp. again showed quarterly and annual profit losses but said that its fourth-quarter 1990 operating income was 6.7% higher than it was in 1989, excluding the effects of noncash charges. The losses resulted from increased interest expense, goodwill amortization, and financing costs that arose in connection with Fort Howard's 1988 leveraged buyout, the company said. Fort Howard reported a net loss of \$29.8 million, compared with a loss of \$34.8 million in fourth-quarter 1989. The annual profit loss was \$106.2 million, compared with a loss of \$239.4 million for 1989. Earnings results for the company were not included in the overall industry total.

Wood product woes. Louisiana-Pacific Corp. reported a loss of \$3.9 million for the fourth quarter—its first quarterly red ink since 1982. "Our building products segment was hit hard by the clear recession in the homebuilding industry. The pulp market also declined steadily from the excellent levels of 1989," said chairman and CEO Harry A. Merlo. "We don't see any signs of improvement in the first quarter." Pope & Talbot Inc. reported a \$3.3-million fourth-quarter loss caused by operating problems and higher costs at its Halsey, Ore., pulp mill and a restructuring charge.

Potlatch Corp.'s earnings in the fourth quarter declined 89%, resulting in a 28% drop for the year. The company blamed weakening market conditions and shutdowns at its pulp and paperboard operations for this decline. "The widespread deterioration in wood products markets since mid-1990 worsened during the fourth quarter and caused lumber and panel product sales realizations to drop significantly," according to Richard B. Madden, chairman and CEO. ■

Red ink grows for Canadian paper industry

With the deteriorating markets for market pulp and lumber and the continuing handicap of a strong dollar, the Canadian paper industry plunged deeper into the red in the fourth quarter—not to mention the still depressed markets for newsprint, strikes, a domestic recession, and some large year-end writeoffs. A *Pulp & Paper Week* survey of the financial results from 16 Canadian companies showed a total net loss of C\$219.2 million in fourth-quarter 1990, compared with a profit of C\$202.7 million in the same quarter a year earlier.

Sales in the fourth quarter were down 15.0% to C\$4.9 billion compared with a year earlier (the total industry profit figure excludes Domtar Inc., which incurred pretax charges of C\$334 million from the writedown of certain assets in the fourth quarter).

For all of 1990, earnings totaled C\$37.4 million for the companies surveyed, excluding Domtar, compared with profits of C\$1.18 billion in 1989. This was the worst performance for Canadian producers since the 1982 recession, when the industry last ran at a deficit.

In response to the squeeze on cash flow, Canadian producers have been scaling back on already-trimmed capital spending plans, suspending dividends to shareholders, laying off workers, and shutting down operations. Most companies continued to predict that difficult market conditions for most grades will continue through at least the first half of 1991, with some possible improvement in the second half. Nevertheless, some assessments on the outlook for 1991 were fairly pessimistic. Canfor Corp., for example, said it is "unlikely to be profitable in 1991." And MacMillan Bloedel Ltd. CEO Bob Findlay said that "1990 was a difficult year, and unfortunately 1991 may not be any better."

Strikes and writedowns in East. While the eastern Canadian industry benefited from the successful June newsprint price hike, this was offset by the continuing strength of the Canadian dollar, strikes at various mills, and deteriorating markets for most other grades. The Canadian dollar ended the year at 86¢ to the U.S. dollar, about where it began the fourth quarter. A north-of-the-border recession that began in second-quarter 1990 hurt domestic Canadian de-

mand for such grades as containerboard and printing/writing paper, which are produced mainly in the East. In addition, a number of companies took writeoffs partly related to the closure of smaller, older facilities in eastern Canada.

Abitibi-Price Inc. reported a net loss of C\$28.9 million, compared with a loss of \$14.5 million in fourth-quarter 1989 (after special charges in both periods). The annual loss amounted to \$44.6 million, compared with a profit of \$54.2 million in 1989 (again reduced by special charges in both years). Abitibi said it would be "a substantial challenge" to improve earnings in any of its businesses as long as the economy and markets remain weak. Despite a healthy balance sheet, "cash flow remains a real concern as the company faces recycling and environmental expenditures that provide little or no return on investment."

Canadian Pacific Forest Products Ltd. cited reduced shipment volumes in all business sectors, except for white paper. The company was also severely hit by labor strikes at three newsprint mills. The strikes may

have bolstered the newsprint price hike, but CP Forest reaped little of the reward. Fourth-quarter losses totaled \$21.9 million, compared with a \$37-million gain in 1989. The annual loss was \$9.4 million, compared with a \$220-million profit in 1989. The company also noted equity losses at two new joint-venture newsprint mills. CFP recently said it was closing its R&D operation in Hawkesbury, Ont., on Apr. 19. The restructuring move will affect 63 employees.

Noranda Forest Inc. reported a loss of \$95 million for all of 1990 vs a profit of \$189 million in 1989. Since not much improvement is expected during the first half, the company said it is "working aggressively to reduce costs, to cut discretionary expenditures, to reduce inventories, and to contain debt." Noranda's capital spending was cut 30% in 1990 to \$569 million, with a similar reduction planned for this year. Domtar Inc. lost \$273 million in fourth-quarter 1990, compared with a loss of \$36 million in 1989. The annual loss was \$294 million, compared with a \$33-million profit in 1989. The losses include \$334 million in pretax charges related

Canadian paper/products results.

Companies	Fourth-quarter 1990 (C\$000)			
	Sales 1990	% change 1990/89	Earnings 1990	% change 1990/89
Abitibi-Price Inc. ¹	\$743,300	-7.2%	\$ (28,900)	NM
Canadian Pacific Forest Products Ltd.	415,600	-42.0	(21,800)	NM
Canfor Corp. ¹	211,400	-12.8	(26,100)	NM
Cascades Inc.	212,639	21.0	6,975	-76.7%
Doman	127,422	-23.5	7,305	-7.0
Domtar Inc. ¹	521,000	-12.6	(263,000)	NM
Donohue	155,254	0.4	7,880	-14.7
Fletcher Challenge Canada Ltd.	323,900	-5.2	(1,800)	NM
MacMillan Bloedel Ltd.	695,600	-11.6	(14,200)	NM
Malette (1st Q)	25,588	-34.6	(78,000)	NM
Noranda Forest Inc.	1,051,000	-15.2	(57,000)	NM
Repap Enterprises Corp. Inc.	306,200	-13.3	(9,100)	NM
Scott Paper Ltd.	106,997	-4.9	2,446	-66.6
Tembec Inc. (1st Q)	61,175	5.8	1,749	-71.2
Weldwood of Canada Ltd.	165,700	-6.6	(8,700)	NM
West Fraser Timber	115,000	-11.5	(5,400)	NM
Total	\$5,122,775	-14.0%	\$ (219,345)	NM

Net income after taxes, from continuing operations. () = losses. NM = Not meaningful.

¹ **Abitibi Price Inc.** 1990 earnings include a loss of C\$11.5 million for unspecified unusual items. 1989 results include a loss of C\$31.2 million for unspecified unusual items. **Canfor Corp.** 1990 results include a C\$8.5-million charge. **Domtar Inc.** Because of massive restructuring charges and other nonrecurring items, 1990 earnings results were not included in the industry total. **Fletcher Challenge Canada Ltd.** 1990 results include a tax credit of C\$7.8 million.

to restructuring and writedowns of certain assets.

"Basically, they're going into a survival mode," analyst Stephen Atkinson of Deacon Barclays de Zoete Wedd told *The Globe and Mail*. "They're slashing employment and shutting down operations."

For fourth-quarter 1990, Cascades Inc. reported a decline of 77% in consolidated net earnings, but sales rose 21% in the quarter and 20% for the year to C\$818.1 million. Annual profits declined 33% in 1990 to C\$20.1 million. More than half of Cascades' 1990 profit comes from its European division, which has turned around ailing carton mills in France, Belgium, and Sweden. The company said it is also poised to buy a Hungarian carton manufacturer for about C\$50 million. Cascades will operate the mill and initially own a 20% stake.

The Port Cartier, Que., bleached chemi-thermomechanical pulp mill lost \$20 million last year and is headed for an equally large loss in 1991, said Cascades CEO Bernard Lemaire, whose company owns the troubled mill along with Quebec government agency Rexfor. In December, each company injected C\$13.3 million in a decision to keep the operation afloat after having shut the mill down earlier in the month. But the future of the 180,000-metric-tpy mill located on

Quebec's depressed North Shore remains in question, serving as a thorn in an otherwise fairly bright outlook for the company.

Lumber markets, pulp hurt West. The marked deterioration of northern softwood market pulp prices in the second half of 1990 and the continued decline in demand for wood products added to the gloom in the western Canadian pulp and paper industry.

MacMillan Bloedel reported a loss of \$14.2 million for the fourth quarter, which brought its total profits for the year to \$50.8 million, down from \$246.7 million a year earlier. "During 1990, Canadian companies were more severely impacted by the recession than their U.S. competition due to higher labor costs and a strong Canadian dollar," Findlay explained. "Labor cost increases in the Canadian forest industry over the last four years have averaged 4% more than U.S. increases. At the same time, the Canadian dollar moved from the 72¢ level to as high as 88¢—a 22% increase. With the majority of the industry's products being sold in U.S. dollars, this means that by the 1990s we were receiving about 20% less for our products than we did in 1986."

"These competitive disadvantages make cost reduction and a margin-added strategy critical if the industry is to remain viable," Findlay said. ■

Annual reports available

The following companies have offered to provide copies of their annual reports to interested readers. Simply circle the indicated Reader Service number on the Reader Service Card on p. 187 of this issue.

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LABOR

Rothsay Paper strike ends after ten months

About 150 workers will lose their jobs at Rothsay Paper Ltd. in St. John, N.B., as part of a contract agreement in February that ended a long and bitter strike by over 400 members of Canadian Paperworkers Union Local 601. Despite the settlement, workers had not returned to their positions as of early March as details of the layoff plan were worked out. The newsprint mill continues to operate at about 80% to 90% capacity, and a union representative said workers would probably not return for a couple of weeks. Rothsay is operated by Irving Pulp & Paper Ltd.

With 391 of 430 union members voting on Feb. 24, the contract was ratified by a 58% majority. The contract runs until April 1994 and calls for wage increases of C85¢ in 1990, 5.5% in 1991 and 1992, and 6.0% in 1993. The slim margin of ratification

probably reflected the votes of those who were going to lose their jobs. As part of a "golden handshake" plan, workers over age 55 will not return to the mill. The strike was not officially related to the pattern contract bargaining that took place last year, but the new contract contains pattern items that allow the company to operate the mill on two additional holidays as well as giving management greater flexibility in assigning work to tradesmen. Rothsay recently closed its stone groundwood pulp mill in St. John and plans to begin production of thermomechanical pulp by mid-year.

Local 601 maintenance workers struck the mill Apr. 9, 1990, at the same time that members of CPU Local 786 struck Irving's nearby tissue mill. That strike ended in May, while a walkout by CPU Local 907 paper-

workers in support of Local 601 was stopped after the 105 employees were court-ordered back to their jobs in the paper mill. The contract for Local 907 expires in June. CPU officials said a boycott against Irving products in eastern Canada sponsored by the Canadian Labour Congress was instrumental in getting the sides back together at the table. Irving products include oil, gasoline, and food items. "There's no doubt in our minds that Irving didn't want a boycott, that it would damage their image," said a CPU spokesman.

• The members of the International Woodworkers Assn. of Canada were on strike at Abitibi-Price Inc.'s woodlands operations in Thunder Bay, Ont. Between 150 and 200 workers went on strike the first week of February over fiber supply issues, a company spokeswoman said. ■